

Message Text

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ACTION AF-06

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FM AMCONSUL CAPE TOWN

TO SECSTATE WASHDC 4520

INFO AMCONSUL JOHANNESBURG

AMCONSUL DURBAN

AMEMBASSY PRETORIA

UNCLAS CAPE TOWN 0369

E.O. 11652: N/A

TAGS: ECON, EFIN, SF

SUBJECT: BUDGET SPEECH - 1975

REF: CAPE TOWN 0368

1. FOLLOWING DETAILS PRESENTED WITH BUDGET SPEECH ARE REPORTED FOR INTERESTED END USERS.

2. IN REVIEWING STATE OF THE ECONOMY FOR 1974 MINISTER FINANCE REPORTED REAL GROSS DOMESTIC PRODUCT INCREASED 7.2 PERCENT. REAL GROSS NATIONAL PRODUCT, TAKING INTO ACCOUNT IMPROVEMENT IN TERMS OF TRADE (PARTICULARLY INCREASED PRICE OF GOLD), ROSE APPROXIMATELY 10 PERCENT. OVER PAST TWO YEARS, REAL NATIONAL PRODUCT PER HEAD OF POPULATION HAS RISEN AN AVERAGE OF 7 PERCENT PER ANNUM.

3. RISE IN INVESTMENT WAS NOTEWORTHY CHARACTERISTIC OF ECONOMIC GROWTH IN 1974. GROSS AS WELL AS NET REAL FIXED INVESTMENT ROSE BY 8.5 PERCENT.

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FOR PRIVATE MANUFACTURING THE INCREASE IN GROSS REAL FIXED INVESTMENT

DURING 1974 WAS 22 PERCENT. PRIVATE CONSUMPTION ROSE RELATIVELY SLOWLY BY 5.2 PERCENT AT CONSTANT PRICES. GROWTH OF THE ECONOMY WAS CONSEQUENTLY LED MAINLY BY UPSWING IN INVESTMENT AND EXPORTS, RATHER THAN CONSUMPTION. GROSS DOMESTIC SAVING ALSO INCREASED TO A LEVEL MORE THAN 26 PERCENT OF GDP. MOST SECTORS OF THE ECONOMY SHARED IN RAPID GROWTH. TOAL GROSS INCOME OF FARMERS ROSE 29 PERCENT. GOLD PRODUCTION DECLINED 11.2 PERCENT BUT AVERAGE GOLD PRICE ON THE PRIVATE MARKET ROSE BY 66 PERCENT. VOLUME OF MINING PRODUCTION, EXCLUDING GOLD, FOR FIRST TEN MONTHS OF 1974 WAS ABOUT 12.5 PERCENT HIGHER THAN SAME PERIOD IN 1973. PHYSICAL VOLUME OF MANUFACTURING OUTPUT INCREASED APPROXIMATELY 6 PERCENT, MAINLY IN FIRST HALF 1974. WHOLESALE AND RETAIL SALES VOLUME WERE UP 9.9 AND 6.8 PERCENT. NEW MOTOR VEHICLE SALES DECLINED ONLY 0.1 PERCENT IN COMPARISON WITH 1973.

4. ALTHOUGH STRONG BOOM WAS EXPERIENCED IN 1974 AS A WHOLE, LEVELLING OFF BEGAN IN SECOND HALF AS REFLECTED IN MANUFACTURING OUTPUT, CONSTRUCTION, VOLUME OF WHOLESALE AND RETAIL SALES AND IMPORTS. NUMBER OF REGISTERED UNEMPLOYED ROSE SLIGHTLY AFTER AUGUST BUT IS STILL LOW.

5. AVERAGE SEASONABLY ADJUSTED CONSUMER PRICE INDEX WAS 11.6 PERCENT HIGHER IN 1974 THAN 1973, ATTRIBUTABLE IN LARGE PART TO HIGHER COSTS OF IMPORTS, AS INDICATED BY 27.7 PERCENT INCREASE IN SEASONALLY ADJUSTED WHOLESALE PRICE OF IMPORTED GOODS COMPARED WITH RISE OF 16.9 PERCENT IN INDEX OF GOODS PRODUCED LOCALLY.

6. AVERAGE SALARIES AND WAGES PER EMPLOYEE DURING FIRST NINE MONTHS WERE 15 PERCENT ABOVE SAME PRIOD IN 1973. REAL INCREASE IN AVERAGE WAGES AND SALARIES FOR ALL POPULATION GROUPS DURING SAME PERIOD WAS 4 PERCENT, AND IN THE CASE OF NON-WHITE EMPLOYEES WAS 9.2 PERCENT.

7. BALANCE OF PAYMENTS. DEFICIT OF R836 MILLION ON CURRENT ACCOUNT AMOUNTED TO 3.7 PERCENT OF GDP. CURRENT DEFICIT LARGELY COVERED BY NET INFLOW OF FOREIGN CAPITAL AMOUNTING TO R741 MILLION, OF WHICH R598 M. WENT TO PRIVATE SECTOR AND R143 M. TO CENTRAL GOVT AND BANKING SECTOR. AFTER ALLOWANCE FOR VALUATION ADJUSTMENTS, TOTAL GOLD AND FOREIGN RESERVES DECLINED IN 1974 BY R67 M. TO LEVEL OF R909 M. IN JANUARY AND FEBRUARY
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GOLD AND FOREIGN RESERVES ROSE BY FURTHER R18 M. EFFECTIVE RATE OF EXCHANGE VIS-A-VIS WEIGHTED AVERAGE OF OTHER CURRENCIES IS LOWER NOW THAN IN JUNE 1974, MAINLY DUE TO WEAKNESS OF THE DOLLAR BUT IS APPROXIMATELY THE SAME AS IT WAS BEFORE THE STERLING DEVALUATION OF NOVEMBER 1967.

8. COPIES OF SPEECH POUCHED PRETORIA, DEPT (AF/S), TREASURY AND COMMERCE.

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